



BC SYSTEMS

CORPORATION

a n n u a l 1990/1991 r e p o r t

B747

B

1948-91

E 3

publication data

British Columbia Cataloguing in Publication Data

British Columbia Systems Corporation

Annual Report - 31 March 1979/1980

Report year ends March 31

1980 270-0000 - Annual Report - British Columbia Systems Corporation

1. British Columbia Systems Corporation - Description

2. British Columbia - Executive Development - Management - Data processing - Periodicals

3. Administrative organization - British Columbia - Management - Data processing - Periodicals

1980 270-0000 - 1980 270-0000

See also 270-0000



c o r p o r a t e p r o f i l e

BC Systems is a provincial Crown corporation providing information technology services for the public sector. Created in 1977 with the enactment of the *System Act*, BC Systems offers data processing, professional staff services, data and voice communications and information access services.

BUSINESS MISSION

BC Systems' mission is to provide information technology solutions which assist public sector organizations in B.C. to maintain and fundamentally improve the quality of service to the public.

SERVICES

BC Systems provides four basic services: data processing, telecommunications, professional staff services and information access. Solutions provided to customers generally involve some form of integration of these basic services.

DATA PROCESSING - BC Systems' data processing services provide a highly reliable, low risk source of computing power and data management. Available in three varieties (IBM-MVS, Digital VAX and IBM-VM), data processing is provided on a shared or dedicated machine basis. BC Systems' data centre is a world-class operation supporting over 40,000 users.

TELECOMMUNICATIONS - BC Systems operates private, shared voice and data communications networks to serve the provincial government. The voice network, called PROVNET, supports approximately 40,000 users. The data networks, called SNA and DNET, link more than 20,000 terminal devices in over 100 cities and towns throughout British Columbia to approximately 100 computers.

PROFESSIONAL STAFF SERVICES - BC Systems has over 350 skilled professionals providing a wide range of information technology management and support services. Services include: seconded staffing, application management, facilities management, technology management, data base management and information technology planning. These professionals, along with the skilled individuals supporting the corporation's other services, give BC Systems one of the largest pools of systems professionals in Canada.

INFORMATION ACCESS - BC Systems' information access services provide private and public sector users direct electronic access to government information. With examples such as BC OnLine, this technology has tremendous potential to bring government closer to the people and to improve the general efficiency of the provincial economy.



"
*We will
provide
informa-
tion technology
solutions which
assist public sector
organizations in B.C.
to maintain and
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improve the quality
of service to the
public.*"

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letter of transmittal



Victoria, British Columbia
June 28, 1991

To His Honour David C. Lam
Lieutenant-Governor of the Province of British Columbia

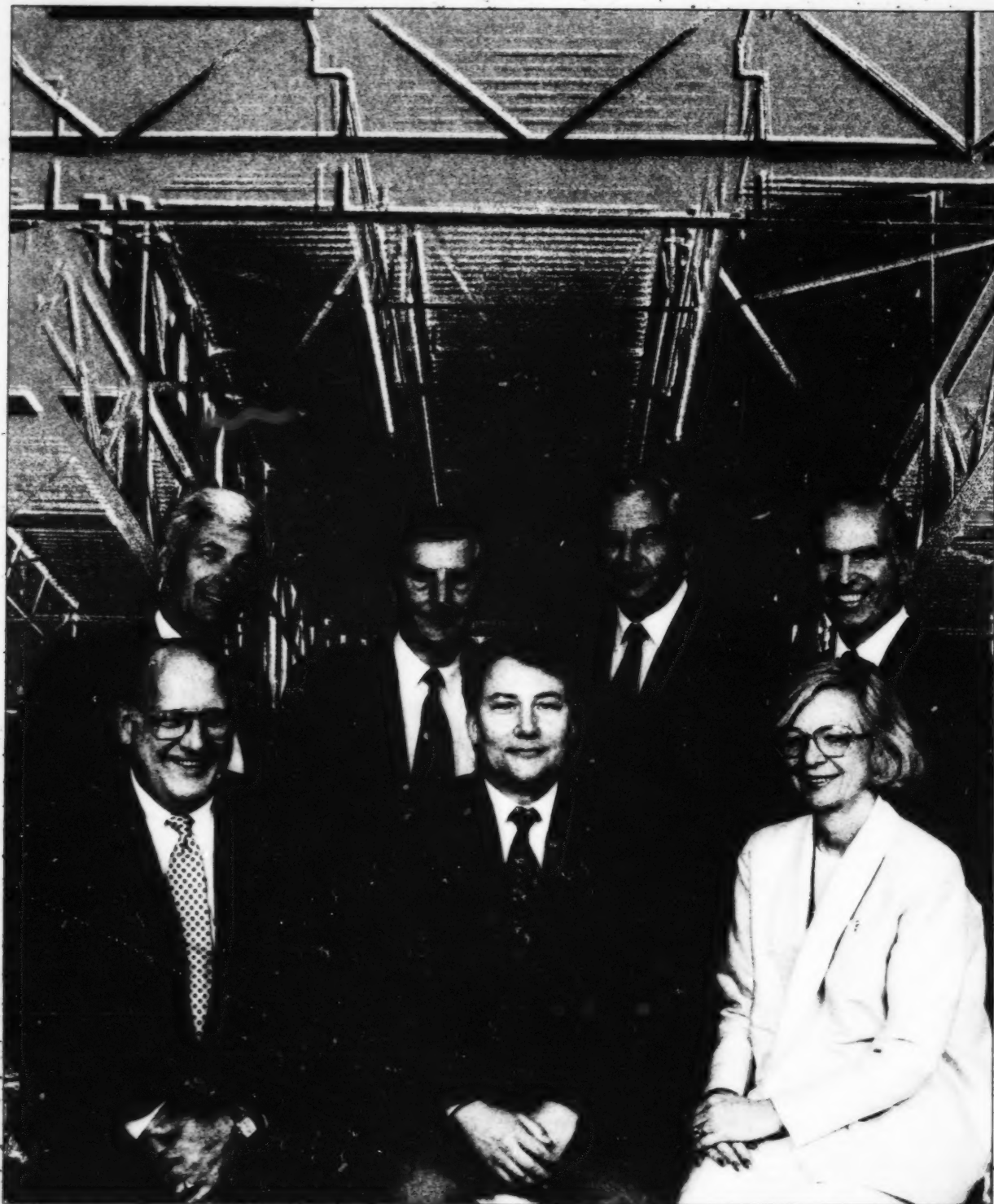
Dear Lieutenant - Governor:

I have the honour to submit herewith the annual report of the British Columbia Systems Corporation for the fiscal year ended March 31, 1991, including the financial statements, duly certified by auditors for the corporation, all in accordance with the *System Act*.

Respectfully submitted,

Honourable Carol Gran
Minister Responsible for British Columbia Systems Corporation

board of directors



*Left to right: (standing) Bob Gayton, Geoff Hook, Don Buchanan, Chris Slade
(seated) Mike Falkins, Ted Evans, Isabel Kelly. Missing: Hon. Carol Gran*

chairman's message

G.J. Hook

*Geoffrey J. Hook Consulting
Services*

Victoria, B.C.

CHAIRMAN OF THE BOARD

D.M. Buchanan

Penticton, B.C.

DIRECTOR

W.E. Evans

*President & Chief Executive
Officer*

BC Systems

Victoria, B.C.

DIRECTOR

M.J. Falkins

Senior Vice President

Falkins McIntosh, Reed Stenhouse

Victoria, B.C.

DIRECTOR & CHAIRMAN,

COMPENSATION

COMMITTEE

R.J. Gayton

Consultant

Vancouver, B. C.

DIRECTOR AND CHAIRMAN,

AUDIT COMMITTEE

Hon. C.M. Gran

Minister of Women's Programs

& Government Services

& Minister Responsible for Families

Province of British Columbia

Victoria, B.C.

DIRECTOR

& MINISTER RESPONSIBLE

I.A. Kelly

Deputy Minister

Ministry of Women's Programs

& Government Services

& Minister Responsible for Families

Province of British Columbia

Victoria, B.C.

DIRECTOR

C.D. Slade

Senior Vice President

BC Systems

Victoria, B.C.

SECRETARY TO THE BOARD

BC Systems exists for one primary reason: "Service".

As B.C. government ministries and other agencies identify opportunities in which information systems and telecommunications might help them to more effectively deliver their programs to the public, they increasingly turn to BC Systems.

We continue to offer a rich and diverse technological environment and pool of professional employees with high levels of skill and expertise. This year, our staff earned the systems processing business of two large customers: B. C. Assessment Authority and the Ministry of Finance and Corporate Relations.

An increasing customer base, coupled with considerable new investment in new technology, has allowed BC Systems to again reduce the cost of our services, on average, for all our customers.

We take very seriously our government shareholder's expectation that BC Systems operate on a sound financial basis. This year's operating net income of over \$9 million will assist us in continuing to invest in the systems processor and telecommunications network infrastructure which our government customers need in order to serve the public throughout British Columbia. We are able to do this, and provide our shareholder with a dividend.

All evidence suggests that our customers will increasingly turn to information systems to meet their service and program delivery goals. We will be here, prepared to serve.

The commitment and dedication of BC Systems' employees to the success of their Corporation and to serving their customers is recognized and appreciated by their Board of Directors.



Geoffrey J. Hook

Chairman of the Board

executive committee



Left to right: (back row) Gerry Gabel, Doug Ausman, Norm Glassel, Chris Slade
(front row) Garry Hayes, Ted Evans, Nancy Greer.

p r e s i d e n t ' s m e s s a g e

On the following pages is a report of BC Systems' 1990/91 operations. In every respect it was a very successful year. We thank our customers for the confidence shown by their increasing numbers and business volumes. In response we introduced new technologies, invested in new equipment, software and staff, and substantially reduced processing prices. As well, the financial position of the corporation improved.

I am particularly pleased with the corporation's progress in building a strong customer focus. Not only in our Client Services Division, but throughout the corporation, employees are concentrating on ways to improve customer service and to develop a better understanding of customers' current and future information management needs.

During 1990/91, the corporation developed a long-term strategic plan. Input was obtained from customers, employees and industry. The final plan document has been widely distributed. Already the plan has proved to be a valuable decision-making framework as we make choices about the future direction of the corporation.

In 1991, BC Systems was asked to participate in several government-wide initiatives. For example, one of our Vice Presidents served on the Service Quality B.C. Task Force. The corporation also participated as a member of the Crown Management Group, a committee of Chief Executive Officers from the Provincial Government's commercial Crown corporations. Late in the year, the Treasury Board assigned a new responsibility to the corporation. In this new role BC Systems will provide staff support to the Deputy Ministers' Council and Treasury Board on government-wide information management issues. These initiatives provide opportunities for BC Systems to contribute in new ways to the improvement of our B.C. public service.

In large part, BC Systems' success in 1990/91 must again be attributed to the hard work of its employees. In the face of rapid growth and increasing technical complexity, the corporation's employees have done an outstanding job responding to the needs of customers. Their efforts are sincerely appreciated.



W. E. Evans
President and Chief Executive Officer

W.E. Evans
*President and
Chief Executive Officer*

N.E. Glassel
*Senior Vice President
Client Services*

C.D. Slade
*Senior Vice President
Data Processing*

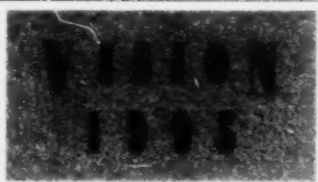
G.F. Gabel
*Vice President
Telecommunications*

Dr. R.N. Greer
*Vice President
Professional Services*

J.G. Hayes
*Vice President
Finance and Administration*

D.W. Ausman
*Executive Director
Corporate Development*

o p e r a t i o n s



"
We are
committed
to:

- *Exceptional
Customer Service*
- *Good Value For
Money*
- *High Quality*
- *Environmental
Responsibility*
- *Sound Business
Practices* "

This report on operations is structured by 1990/91 major objectives and results and major objectives for 1991/92. The purpose is to provide a thorough and meaningful report to the Legislature and the public on the conduct of BC Systems Corporation.

1990/91 MAJOR OBJECTIVES AND RESULTS

In this section, 1990/91 operating results are shown in relation to major objectives. Many of the objectives are statements of long-term direction and are being pursued over several years.

CUSTOMER SATISFACTION

OBJECTIVES:

- Develop and implement strategies for achieving customer service excellence.
- Develop value for money benchmarks and implement an ongoing monitoring mechanism.
- Ensure capacity is in place as required by customers.
- Improve telecommunication service order processing.
- Expand the data base offerings and utilities available via BC OnLine.
- Diversify professional service offerings.

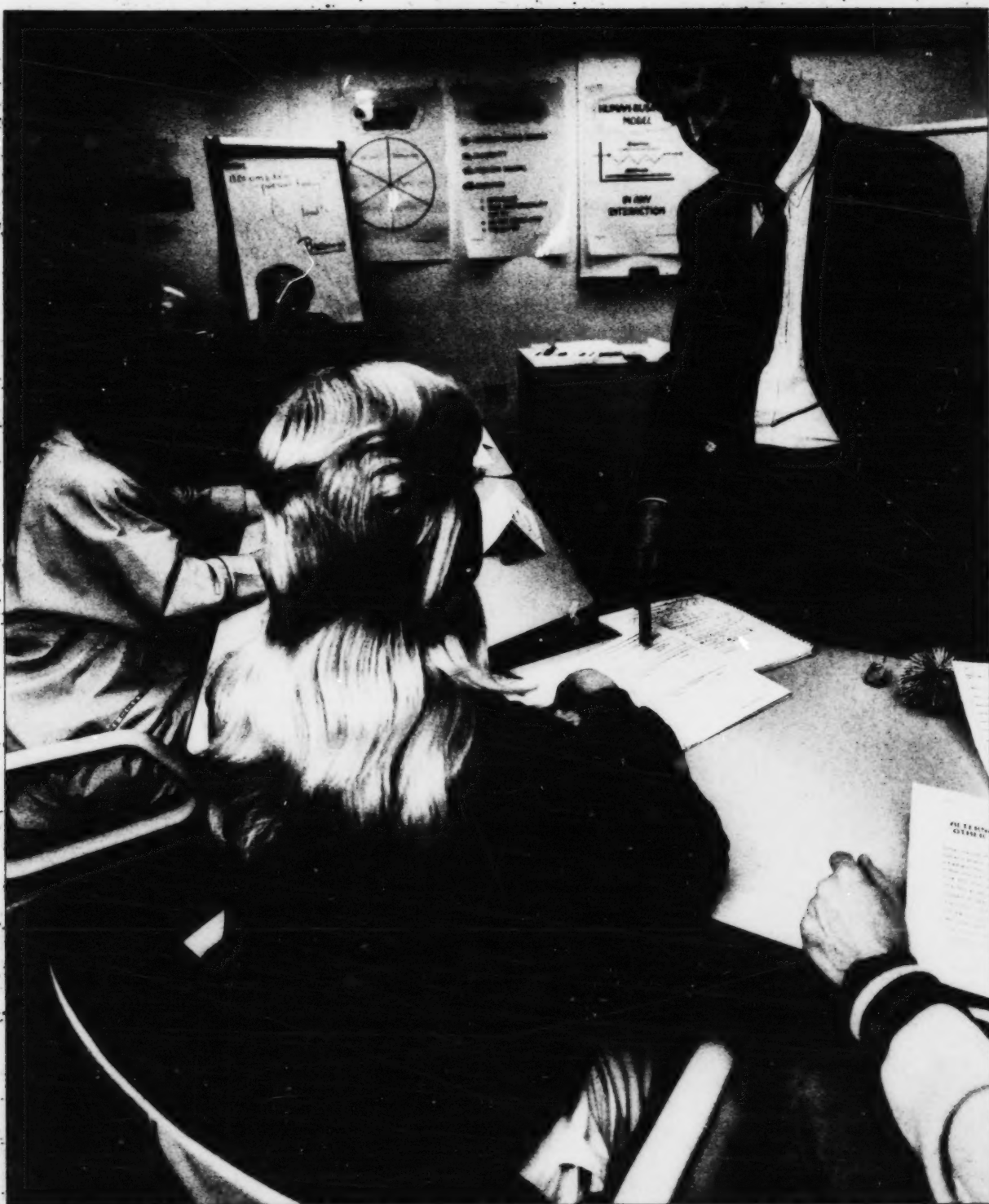
RESULTS:

♦ Customer Service Excellence

In late 1989/90, an initiative was undertaken to train staff on how to provide excellent customer service. By 1990/91 year-end, 55% of BC Systems' employees had taken the training.

To evaluate current levels of customer satisfaction, executive level customers were surveyed. While overall results were very encouraging, areas needing improvement were identified. Action plans were developed and are being implemented as a result of the customer feedback received. Survey results were shared with the respondents.

A further survey of user and managerial customers was in progress at year-end. We intend to repeat these customer surveys to ensure that we are continuing to provide excellent customer service.



In pursuit of exceptional customer service, employees receive training in Creating Satisfied Customers.

o p e r a t i o n s

Lower Prices
MVS Processing Prices
Adjusted for Inflation
1978/1979 = 100



Fiscal Year

More Data Network Devices



• Value For Money

To evaluate whether BC Systems is providing good value for money spent, five studies were carried out during 1990/91 to compare the costs of using BC Systems' services versus other alternatives. Four of these evaluations studied our processing services, the other examined alternative network services. The studies were conducted jointly by external consultants, BC Systems' employees and customers.

The results showed BC Systems' costs to be lower than other alternatives. In the one exception, our costs were marginally higher. Further reduced prices for 1991/92 will more than rectify this exception in future.

Pricing for BC Systems services was reduced, on average, by 6% in 1990/91.

• Capacity

To guarantee that the capacity is there when our customers need it, the processing capacity for all three of our processing services was upgraded throughout the year by an average 43% to meet increased service demands.

Additional switching capacity was also added to our telecommunications network to accommodate a 20% increase in client use.

• Telecommunication Order Processing

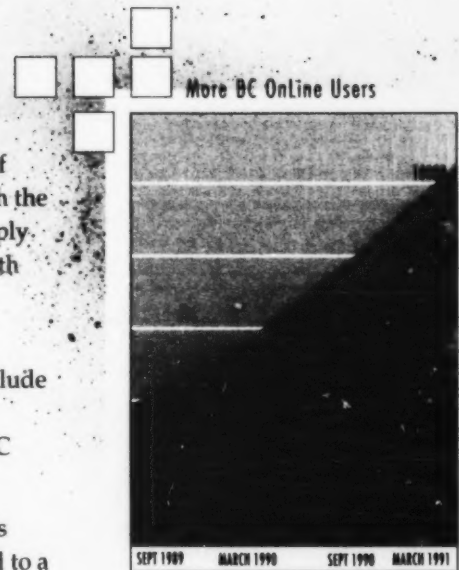
To improve telecommunication order processing, a task force of customers and suppliers was struck to obtain customer feedback and input, specifically as it relates to voice communications.

Numerous recommendations were developed by the task force. Many have been implemented; further improvements are being made. As a result of these enhancements, customers have reported a noticeable improvement in our telecommunication order processing.

• BC OnLine

BC OnLine allows authorized users such as lawyers, real estate agents, auto dealers, financial institutions and others direct electronic access to provincial government regulatory databases. Users of the service are able to dial directly into the Land Titles, Companies and now, Personal Property registries from anywhere in the province. BC OnLine offers users a single point of contact with government, convenience, time savings and extended hours of service.

o p e r a t i o n s



As of August 1, 1990 the Personal Property Registry was added to the list of services available to BC OnLine clients. The addition of this registry came with the added capability of allowing clients to directly update the registry versus simply searching or obtaining information from it. B.C. is the first jurisdiction in North America to offer this service. Customers have reported cost benefits and productivity improvements through the use of BC OnLine.

The billing service for BC OnLine was also expanded in the past year to include direct invoicing for other government services, thus reducing government overhead costs for invoicing and creating a single point of contact for many BC Government customers.

As evidence of the increased use of BC OnLine and its public support, gross Government revenues for this service in 1990/91 were \$13.5 million compared to a budgeted revenue of \$10 million.

♦ Professional Service Offerings

In response to changing customer needs, BC Systems' professional services were restructured in 1990/91 to include facilities management, applications management, an expert team in Executive Information Systems and selective consulting services. At March 31, 1991, nine customers were contracting these new services at a net value of \$3.5 million.

As part of our new professional services portfolio, a regional support program for government computer users was being initiated as a pilot in Cranbrook and Fort St. John at year-end.

♦ Other

In addition to the objectives identified for the year past, a number of activities were implemented to further enhance our customers' satisfaction.

- An automated process whereby customers could simultaneously obtain user identifications on several systems was established, greatly improving our customer response time.
- Unused network terminal devices were identified and reported to customers in an effort to reduce the customer's network costs.
- Data processing down-time for scheduled maintenance outages was further reduced during the year, increasing the amount of time available for client use.

o p e r a t i o n s

More Data Processing Users



TECHNOLOGY

OBJECTIVES:

- Complete pilot projects on the following new technologies and determine if, and how, they will be introduced as fully supported new service offerings.
 - Electronic Imaging
 - Electronic Data Interchange
 - Executive Information Systems
 - Intelligent Workstations
 - Local Area Network Servers
- ◆ Complete phase one of the Victoria metropolitan area network and install higher speed facilities in the wide area data communications network.
- ◆ Implement and test the disaster recovery strategy.
- ◆ Identify new technologies with significant potential to benefit government services.

RESULTS:

◆ New Technology Pilot Projects

Several pilots, using new technologies, were carried out during 1990/91.

Electronic Imaging

Imaging technology provides the opportunity to improve efficiency and effectiveness through the electronic storage of documents versus traditional paper files. The benefits are easier storage, access, retrieval and retention of information.

A successful pilot on the use of electronic imaging was completed with the Land Titles Branch of the Ministry of the Attorney General. Based on the findings, the Land Titles Branch was, at year-end, considering alternatives for proceeding with the development and implementation of a fully-operational system using electronic imaging.

Electronic Data Interchange (EDI)

Electronic Data Interchange allows business transactions to be completed electronically rather than by traditional paper processing techniques. It is particularly suited to requisitioning, order processing and financial systems. EDI has the potential to significantly improve the speed and accuracy of transactions.

Over the past year, some preliminary work on the use of EDI was carried out by the Liquor Distribution Branch. Based on information gained, an agreement has been reached to proceed on a joint pilot project to process transactions electronically between the Liquor Distribution Branch and its suppliers.

Executive Information Systems

Executive Information Systems provide financial, operational and human resource information for the management of a business enterprise. Working in conjunction with the Ministries of Health and Transportation and Highways, an Executive Information System software product was selected and implemented. An expert team was also established to assist these, and other customers, in using the system.

Intelligent Workstations and Local Area Networks (LANS)

The use of intelligent workstations (personal computers) for computing is rapidly expanding. And linking these workstations together on local area networks is of increasing interest to our customers. Toward meeting these customer needs, a number of internal pilots were initiated in 1990/91 and two new product offerings introduced.

The pilots, when completed, will determine the services BC Systems can offer customers to assist them in integrating intelligent workstations and local area networks into their existing computing services.



Twenty government buildings in Victoria will be served by one high-speed network, unique to North America. The Metropolitan Area Network promises unprecedented efficiency for B.C. government ministries and the public they serve.

◆ Metropolitan Area Network (MAN)

Installation of the Metropolitan Area Network, a high-speed fibre optic communication network, was completed in the fall of 1990. Four customers (Land Titles, Forests, Health and Finance & Corporate Relations) were operational on the network at year-end. All of these installations were successful, and the high-speed capability of the MAN has already shown signs of greatly improving operations.

The MAN, a multi-year project, will eventually serve over 20 government buildings in Victoria. Technological innovations such as the MAN are essential to the effective and efficient delivery of government programs in the future.

◆ Higher Speeds for Wide Area Network

In response to increasing customer demands, higher speed transmission facilities were installed to Prince George and Kamloops. A further project was undertaken to double our minimum data communications speed, giving customers increased response times.

◆ Disaster Recovery Planning

With the increasing public demand for computer-stored government information, data centres have to provide the ability to recover that information and maintain operations in a disaster situation.

If an accident disables our data centre, BC Systems' disaster recovery strategy is to transfer work to another data centre. Successful rehearsals for recovering from a disaster in each of our three processing environments were completed in the year past. Such rehearsals will be conducted regularly in future years.

◆ New Technologies

In meeting this objective, opportunities to enhance government's use of existing technologies were identified rather than new technologies. These opportunities were submitted in a paper, titled "The Innovative Use of Technology", as part of BC Systems' contribution to the government-wide Service Quality B.C. initiative.



Public access information systems such as BC OnLine make it possible for businesses throughout B.C. to electronically obtain government information they need to conduct their business. BC OnLine[®] offers businesses such as Finning Ltd. convenience, time savings and extended hours of service.

PEOPLE

OBJECTIVES:

- ◆ Implement specific plans to simplify and streamline processes, and to empower employees at all levels to implement ideas to improve efficiency and effectiveness of operations.
- ◆ Develop and implement a model for employee participation.
- ◆ Further improve the corporation's performance management systems.

RESULTS:

◆ Simplify & Streamline

Recognizing that the empowerment of employees to simplify and streamline operations for improved customer service involves a "cultural" shift, a number of long-term activities were undertaken to support this objective.

Awareness and understanding were created under the auspices of a "BreakThru" program. The annual employee opinion survey asked staff to identify opportunities to simplify, streamline and improve customer service. On an ongoing basis, employees are encouraged to question and challenge processes and controls, and to "champion" improvement.

◆ Employee Participation

A model to support employee participation in decision-making and new initiatives was developed in 1990/91. It is now being applied throughout the organization with particular emphasis on participatory management training, reward and recognition, performance planning and review, and career development.

◆ Performance Management

Through the articulation of corporate values and priorities, clear direction has been provided to employees and managers upon which they can develop more focussed division, branch and individual work plans. The individual performance planning and review process was revised to include performance evaluation measures that incorporate the corporation's new mission, values, business principles and priorities.

◆ Daycare

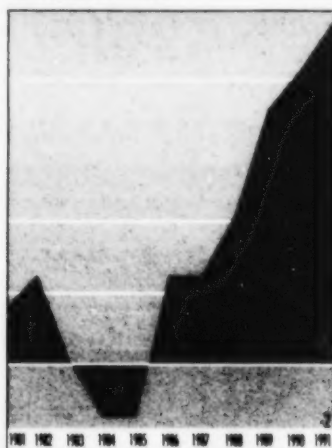
At a time when skilled specialists are short in supply and high in demand, BC Systems, in partnership with the B.C. Buildings Corporation and the B.C. Purchasing Commission, has responded to the challenge of recruiting and retaining employees. A project to construct a daycare facility for our employees' children was initiated to enhance our status as a preferred employer. At year-end, project requirements and design were finalized for construction in mid-1991. A non-profit society was formed from employees of the three partner organizations to operate the facility on completion.



"
w e value:

- Teamwork
- Freedom to Act
- Integrity
- A Satisfying Work Environment "

Profitability Increased
Net Income (in millions)



Fiscal Year

BUSINESS

OBJECTIVES:

- Develop a set of key performance indicators for the corporation.
- Achieve an operating profit of \$7 million.
- Maintain the debt to equity ratio below 3 to 1.
- Meet capital requirements with cash generated from operations.
- Establish a dividend policy for the corporation.

RESULTS:

• Strategic Planning

The corporation initiated and concluded a strategic planning process in 1990/91. The plan described the annual planning process, BC Systems Five Year Vision, key performance indicators, action priorities for 1991/92 and a structure for implementation and monitoring. The final document is representative of input received from customers, employees and industry representatives.

• Key Performance Indicators

The Strategic Plan provides performance indicators which will measure the corporation's success in customer satisfaction, technology performance, employee satisfaction, and financial performance.

- An operating profit of \$9.7 million was achieved, exceeding the objective by \$2.7 million and recording our sixth straight profitable year.
- At year-end, the debt to equity ratio was 1.7 to 1, again, exceeding the targeted objective.
- Cash generated from operations funded 100% of our capital requirements.
- A dividend policy was established, and a dividend of \$5.8 million declared and paid to the Provincial Government, \$2.5 million for 1990/91 and \$3.3 million for previous years.

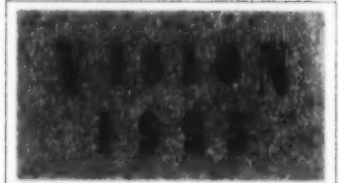
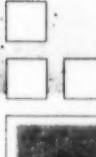
MAJOR OBJECTIVES FOR 1991/92

CUSTOMER SATISFACTION

- ◆ Set standard target ratings and carry out surveys at both senior management and user levels to determine the degree of our customers' satisfaction with:
 - the value they receive as users of our services,
 - the quality of our services,
 - the range of services we offer, and
 - the way we serve them.

Compare results of the executive level survey with the results of the 1989-90 survey and implement programs of improvement in any apparent problem areas. Such surveys will be run on an annual basis, with results tracked from year to year, to ensure continued improvement where standards are not being met.

- ◆ Develop and implement models which compare the costs of our services with other alternatives to ensure that we are delivering value for money. For 1991/92, the emphasis will be on processing services cost models.
- ◆ Measure, report and monitor customer service in telecommunication order processing and problem management. Monthly reports will be produced on order processing time, order due date achievement and problem resolution time. Customer satisfaction feedback will also be reported on specific requests for service and alerts. All these graphical reports, along with a single comprehensive measure, will be produced for each network.
- ◆ Define, develop and implement a strategy for our suite of seconded and mission-based professional services to maintain current, and anticipate future, customer needs for an essential infrastructure of skilled systems professionals within the public sector.
- ◆ Expand BC OnLine services for the customers of government.



*"t o our customers
we are a
supplier of
competitively-priced
high quality products
and services. We
deliver, and are
perceived to deliver,
excellent value for
money."*



As part of BC Systems' environmental responsibility, all plastic and paper products used in our Victoria office cafeteria have been replaced with crockery and cutlery. Programs to recycle paper and reduce paper consumption have also been successfully implemented.

o p e r a t i o n s

TECHNOLOGY

- ◆ Upgrade and replace equipment consistent with our strategy to handle anticipated rapid growth in as cost-effective manner as possible.
- ◆ Automate data centre operations to increase the availability and reliability of processing services.
- ◆ Continue to enhance the telecommunications network infrastructure including the integration of voice and data on a common network.
- ◆ Introduce new services to interconnect different networks and enable users to communicate with any computer application anywhere.
- ◆ Develop long range strategies for office systems, professional services, Electronic Data Interchange (EDI) and Computer Assisted Systems Engineering (CASE).
- ◆ Continue development of our Intelligent Workstation support and Electronic Image service offerings
- ◆ Continue to actively investigate developments in the area of Open Systems Standards, incorporating them into our service offerings wherever appropriate. In particular, develop and announce a BC Systems statement of direction on UNIX and implement associated service offerings in accordance with this direction.

PEOPLE

- ◆ Determine, through a survey, how employees feel about their working environment, with particular attention to our corporate values of "empowerment" and "teamwork".
- ◆ Develop a Human Resources Strategic Plan outlining a long-range vision of priorities and actions necessary to ensure BC Systems obtains and retains the skilled people it needs.
- ◆ Establish two outreach positions at a professional technical level, to be filled annually, to provide access to employment for people with disabilities.

BUSINESS

- ◆ Achieve an operating profit sufficient to finance required investments in infrastructure and to produce a satisfactory dividend to government; the profit target is \$13 million.
- ◆ Maintain the debt to equity ratio below 2 to 1.
- ◆ Achieve an appropriate return on net fixed assets; the target is 14%.
- ◆ Maintain long and short-term debt within established borrowing limits.

o p e r a t i o n s

VISION 1995

"
a
s government's
central
systems
agency, we provide a
corporate view,
leadership and advice
on information
resource and
information
technology
management. We are
the Government's
infrastructure builder
and internal service
agency for initiatives
of government-wide
significance and
strategic importance."
"

KEY PERFORMANCE INDICATORS

The development of our "1995 Strategic Plan" included establishment of a set of measures which will assist management in ensuring that acceptable progress is being made toward achievement of our long-range vision for BC Systems. They will serve as indicators of our effectiveness in achieving our objectives and managing our resources.

These meaningful indicators of the organization's success include establishment of clear management direction and objectives, achievement of intended results, customer satisfaction, productivity, responsiveness, financial success, and safeguarding corporate assets and customers' data. These are consistent with the effectiveness factors cited by the Canadian Comprehensive Auditing Foundation.

Measurement data or criteria under each of the following corporate "Vision Measures" will be developed during 1991/92:

- Customer Satisfaction Measures
- Technology Measures
- People Measures
- Business Measures.

The following are summary performance statements, as outlined in the preceding Report on Operations for 1990/91.

BUSINESS DEMAND

As a measure of the increasing demand for our processing, telecommunications and professional services, revenues have increased by 45%, from \$104 million in 1989/90 to \$151 million in 1990/91, despite price reductions of 27% on processing services, with no adjustment for inflation.

BUSINESS PERFORMANCE

As our primary customer, the Provincial government expects good service at reasonable cost. As our shareholder, it expects BC Systems to operate at a modest yet reasonable profit and maintain a sound financial footing.

For six straight years, BC Systems has operated profitably: \$9.7 million in 1990/91, maintaining a return on net fixed assets averaging 15% in recent years. And, a dividend of \$5.8 million has been paid to our shareholder.

o p e r a t i o n s

INVESTMENT IN TECHNOLOGY INFRASTRUCTURE

Maintaining and enhancing our technology infrastructure is critical to ensuring our capacity meets our customers' needs. Our net investment in capital has increased from \$27 million during 1989/90, to \$31 million in 1990/91.

DEBT

Minimal debt is important to any business' flexibility. Despite considerable need to increase our investment in our processing and network infrastructure, long-term debt has decreased \$2 million in 1990/91.

PRODUCTIVITY

In an organization providing such diverse services, no single measure of productivity is meaningful.

Over 10 years, BC Systems' data processing service has delivered the capacity to accomplish up to 12 times the workload with 73% of the staff for approximately the same cost.

Total value of services delivered of \$49 million in 1980/81 was produced by 517 employees: \$95,000 per employee. In 1990/91, \$151 million was produced by 777 employees: \$194,000 per employee. This revenue per employee has been maintained in recent years despite dramatic processing price reductions.



Through a joint venture between locally-owned HTX Communications, the Ministry of Agriculture, Fisheries and Food and BC Systems, farmers and Ministry staff throughout the province will have direct electronic access to up-to-date information on pesticides and field crops. HTX Communications, with support from BC Systems and the Ministry, is actively pursuing government, commercial and industrial markets, across North America, with a need for this advanced software.

auditors' report

The Honourable Carol Gran
Minister of Women's Programs and Government Services
and Minister Responsible for Families
Province of British Columbia

We have audited the balance sheet of British Columbia Systems Corporation as at March 31, 1991 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

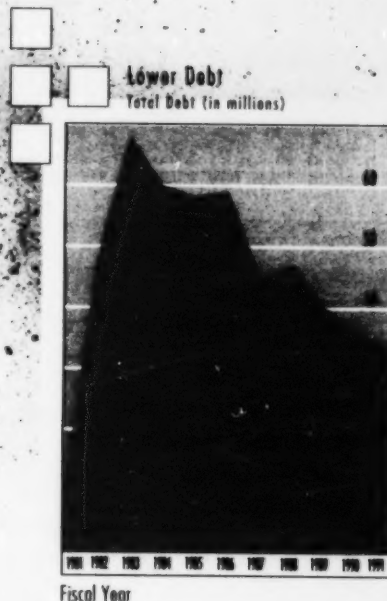
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Reat Warwick Thomas

Chartered Accountants

May 29, 1991



financial statements

BRITISH COLUMBIA SYSTEMS CORPORATION BALANCE SHEET (expressed in thousands)

Assets Maintained
Total Assets (in millions)



Fiscal Year

	March 31	
	1991	1990
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$3,557	\$731
Accounts receivable	8,537	10,284
Prepaid expenses	1,303	776
	<u>13,397</u>	<u>11,791</u>
FIXED ASSETS (note 2)		
Land	4,600	4,600
Building	29,072	28,381
Computer, telecommunications and ancillary equipment	98,445	77,271
Furniture and fixtures	2,289	1,993
Leasehold improvements	272	254
	<u>134,678</u>	<u>112,499</u>
Accumulated amortization	<u>71,677</u>	<u>53,151</u>
	<u>63,001</u>	<u>59,348</u>
OTHER ASSETS		
Deferred bond discount and issue costs	17	62
	<u>\$76,415</u>	<u>\$71,201</u>
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Note payable, Province of British Columbia (note 4)	\$1,500	\$1,989
Accounts payable and accrued liabilities	16,981	16,120
Deferred revenue	3,046	2,268
Current portion of long-term debt (note 5)	929	929
Contractual liability for computer equipment	3,366	1,180
	<u>25,822</u>	<u>22,486</u>
LONG-TERM DEBT (note 5)	<u>31,280</u>	<u>33,334</u>
RETAINED EARNINGS		
Appropriated (note 6)	-	2,210
Unappropriated (note 8)	<u>19,313</u>	<u>13,171</u>
	<u>19,313</u>	<u>15,381</u>
	<u>\$76,415</u>	<u>\$71,201</u>

Commitments (note 7)
Contingency (note 10)

See accompanying notes to financial statements.

APPROVED BY THE BOARD:

Director

Director

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BRITISH COLUMBIA SYSTEMS CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
(expressed in thousands)

	Year ended March 31	
	1991	1990
Revenue		
Telecommunications	\$67,653	\$59,058
Processing	52,076	40,611
Labour	30,066	24,614
Interest and other	1,303	1,227
	<u>151,098</u>	<u>125,510</u>
Expenses		
Employee	43,723	34,250
Facilities management fees	4,128	3,930
Administrative and general	7,090	6,495
Equipment rental and maintenance	58,729	52,633
Amortization	25,423	18,928
Loss (gain) on disposal of fixed assets	1,419	(86)
Interest (note 5)	967	948
	<u>141,479</u>	<u>117,098</u>
Income before net building operating costs and contribution from the Province of British Columbia	9,619	8,412
Net building operating costs	(3,694)	(3,804)
Contribution from the Province of British Columbia	<u>3,800</u>	<u>3,800</u>
NET INCOME (note 8)	9,725	8,408
Unappropriated retained earnings, beginning of year	13,171	6,973
Appropriations (note 6)	2,210	(2,210)
Dividends paid	<u>(5,793)</u>	<u>-</u>
UNAPPROPRIATED RETAINED EARNINGS, END OF YEAR	<u>\$19,313</u>	<u>\$13,171</u>

See accompanying notes to financial statements.

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BRITISH COLUMBIA SYSTEMS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
(expressed in thousands)

	Year ended March 31	
	1991	1990
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net income	\$9,725	\$8,408
Items not involving cash		
Amortization	26,170	19,650
Deferred bond discount and issue costs	44	45
Loss (gain) on disposal of fixed assets	1,419	(86)
Change in non-cash operating working capital	2,859	5,755
	<u>40,217</u>	<u>33,772</u>
FINANCING		
Long-term debt reductions	(2,054)	(2,066)
Short-term borrowings, net of repayments	(489)	(2,001)
Change in contractual liability for computer equipment	2,186	(2,611)
	<u>(357)</u>	<u>(6,678)</u>
INVESTMENTS		
Additions to fixed assets	(42,679)	(27,660)
Proceeds from disposal of fixed assets	11,438	381
	<u>(31,241)</u>	<u>(27,279)</u>
Dividends paid	(5,793)	-
INCREASE (DECREASE) IN CASH POSITION	2,826	(185)
Cash and short-term investments, beginning of year	731	916
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>\$3,557</u>	<u>\$731</u>

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BRITISH COLUMBIA SYSTEMS CORPORATION
NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1991

GENERAL

British Columbia Systems Corporation, incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, has a mandate to advance the effective and efficient use of information systems in the British Columbia public sector. As a service organization within government, British Columbia Systems Corporation provides shared computer processing, data and voice communication, information access and selected professional services on a competitive basis. In 1990/91, the Corporation received 96% of its revenues from Provincial Government Ministries, with the balance from other government entities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement presentation

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles.

(b) Accrual accounting

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenses are recorded in the period they are incurred.

(c) Fixed assets

Fixed assets are recorded at cost with the exception of the land, building and building equipment, which are recorded at appraised value plus subsequent additions at cost. The appraisal was prepared by B. McConnell & Associates Ltd. on January 18, 1989 and was based on a combination of the income capitalization and the cost summation methods. The appraisal resulted in a reduction in the carrying value of the related assets and in net income for that year.

Fixed assets are amortized over their estimated useful lives as follows:

Building	Over thirty years on a straight-line basis
Building equipment	Over twenty years on a straight-line basis
Computer processors	Over terms up to four years on a straight-line basis
Other computer, telecommunications and ancillary equipment	Over terms up to five years on a straight-line basis
Furniture and fixtures	Over ten years on a straight-line basis
Leasehold improvements	Over terms of leases on a straight-line basis

(d) Revenue recognition

Revenue from client use of corporate resources is recognized as the services are performed. Revenue from fixed price contracts is recognized over the terms of the respective contracts.

(e) Federal and provincial taxes

The Corporation is exempt from Corporate Income Taxes and is not subject to the Goods and Services Tax that came into effect January 1, 1991.

(f) Sinking funds

Payments made to sinking funds with respect to retirement provisions of the sinking fund bonds and debentures are netted against related debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(g) Amortization of other assets

Discount and issue costs relating to the Province of British Columbia bond Series BCSC-M are deferred and amortized on a straight-line basis over the term of the bond.

2. FIXED ASSETS

During the year, the Corporation acquired fixed assets totalling \$42,679,000 (computer, telecommunications and ancillary equipment - \$41,603,000). The Corporation also disposed of fixed assets with a net book value of \$12,857,000 (computer, telecommunications and ancillary equipment - \$12,839,000) for proceeds of \$11,438,000.

3. BORROWING AUTHORITY

Pursuant to Section 8(6) of the System Act, the aggregate amount that may be advanced to, or borrowed by, the Corporation shall not exceed \$65,000,000.

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4. NOTE PAYABLE, PROVINCE OF BRITISH COLUMBIA

This consists of a short-term note bearing interest at 11.85% and maturing on April 15, 1991 as authorized by Order in Council No. 787.

5. LONG-TERM DEBT

(a) Bonds and debentures

	Interest rate	Maturity date	Amount
Canada Pension Plan debentures:			
Series 1	15.69%	June 2001	\$14,007,000
Series 2	16.10%	March 2002	12,500,000
Province of British Columbia bond:			
Series BCSC-M	9.00%	August 1991	16,000,000
			<u>42,507,000</u>
Less sinking funds on deposit with the Minister of Finance for the Province of British Columbia (1989/90 - \$8,244,000)			<u>10,298,000</u>
Total Debt			<u>32,209,000</u>
Less current portion			<u>929,000</u>
Long-term portion			<u>\$31,280,000</u>

Mandatory sinking fund requirements in respect of the above debt for each of the next five years and thereafter are as follows:

	CPP S-1 & 2	Bond BCSC-M	Total
1991/92	\$579,000	\$14,203,000	\$14,782,000
1992/93	579,000	-	579,000
1993/94	579,000	-	579,000
1994/95	579,000	-	579,000
1995/96	579,000	-	579,000
Thereafter	15,111,000	-	15,111,000
	<u>\$18,006,000</u>	<u>\$14,203,000</u>	<u>\$32,209,000</u>

The Province of British Columbia bond Series BCSC-M matures in August 1991. Subsequent to year end, the Corporation entered into an agreement to refinance the debt through the issue of a new bond Series BCSC-EC-9. The new bond will bear interest at the rate of 10% and will mature on June 3, 1996. It will have an annual sinking fund requirement of \$306,000.

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt issued by the Corporation.

(b) Interest expense

In 1990/91 the Corporation incurred interest expense of \$5,695,000 (1989/90 - \$5,713,000) on long-term debt and \$553,000 (1989/90 - \$516,000) on short-term debt. Of these amounts, \$5,281,000 (1989/90 - \$5,281,000) was allocated to building costs and \$967,000 (1989/90 - \$948,000) to the financing of the current operations.

6. APPROPRIATIONS

In 1989/90 a reserve of \$2,210,000 was appropriated from retained earnings to cover the costs of future telecommunication conversion projects. These projects were substantially completed in the current fiscal year and accordingly, the reserve has been returned to retained earnings.

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7. COMMITMENTS

The Corporation has entered into service contracts and facilities leases expiring on various dates to 2001. Future minimum payments under these contracts and leases for each of the next five years and thereafter are as follows:

1991/92	\$5,966,000
1992/93	4,082,000
1993/94	2,410,000
1994/95	2,426,000
1995/96	1,710,000
Thereafter	6,849,000
	\$23,443,000

8. NET INCOME

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the Government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

9. EMPLOYEE BENEFIT PLANS

(a) Pension plan

The Pension (Public Service) Act applies to the Corporation and its officers and employees. Accordingly, the Corporation is required to pay into the Public Service Superannuation Fund amounts prescribed from time to time by Regulation.

(b) Long term disability plan

The Corporation contributes to a multi-employer Long Term Disability Plan established under the Public Service Benefit Plan Act. An actuarial valuation of the Plan as at March 31, 1990 indicates that the Plan had a funding deficiency. However, the Corporation's share of the Plan's actuarial assets (\$1,900,000) and actuarial liabilities (\$100,000) reflects a funding surplus at March 31, 1990. Accordingly, the Corporation will not be required to make contributions to the Plan until the next actuarial valuation which will be performed at March 31, 1993.

10. CONTINGENCY

In 1989/90 the Corporation entered into a facilities management contract with a private sector company for three years. Under the terms of the contract, the Corporation is obligated to cover certain employee termination costs should the contract not be renewed. The Corporation is unable to determine the extent of the liability, if any, which may result from this obligation. Should a liability arise in the future, the expense will be charged to income in the period in which the settlement occurs.

BRITISH COLUMBIA SYSTEMS CORPORATION

SIX YEAR STATISTICAL SUMMARY

	1991	1990	1989	1988	1987	1986
	(at March 31)					
OPERATIONS						
Number of Data Network Devices	27,035	21,173	15,299	8,018	5,665	n/a
Number of BC OnLine Users	10,517	5,462	-	-	-	-
Number of Data Processing Users	40,000	32,000	23,900	16,900	14,000	n/a
Number of Electronic Mail Users	25,750	14,009	n/a	4,000	2,000	418
FINANCIAL PERFORMANCE (in \$ million)						
Total Revenue (1)	151.1	125.5	104.2	54.9	46.1	45.4
Net Income Before Extraordinary Items	9.7	8.4	7.2	3.8	2.7	2.7
Net Income Margin (1)	6%	7%	7%	7%	6%	6%
Long-Term Debt	32.2	34.3	36.3	38.2	40.7	56.1
Short and Long-Term Debt	33.7	36.3	40.3	47.2	45.1	58.1
Retained Earnings	19.3	15.4	7	6.2	2.6	0
Debt to Equity	1.7	2.4	5.8	7.6	17.4	n/a
Dividend Paid	5.8*	-	-	-	-	-
Mainframe Pricing Index (1986=100)	38%	44%	52%	52%	74%	100%
(no adjustment for inflation)						

(1) In 1989, the corporation changed the presentation of its financial statements to include total revenue for services purchased on behalf of its clients rather than service revenue net of expenses as shown in fiscal 1986 and 1987. Revenues for fiscal 1988 as shown were restated to conform with the new format.

* Of this amount, \$3.3 million relates to accumulated surpluses up to 1989/90.